Google

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Attorney-Client Communication
Reflects Advice of EU Outside Counsel

Future of Display

Defining the Future of Display in context of privacy, antitrust and competition

AVID

Spring 2020

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Key points - slide comment 6
Sundar basic understanding of the biz
4 constituents, dollar amounts
Twokey challenges
Privacy and competition, not simple
Privacy
We are the lingua franca of data, we are the players of the level playing field
Privacy is dismantling level playing field and putting tension on our ability to win adv dollars (identity stuff)
Doubleclick acquisition was the foundation of fabric
Competition
We are the biggest
But competition demands there is a level playing field
Privacy competition revenue: 3 prongs
Privacy focus what happens to comp and rev
Sliding one to the max is not what we want
WE have a plan but it won't be satisfactory on all dimensions
Efficient market that trades on personalization of ads

3 lane slide to start
Privacy challenge slides
Undoing fabric

Today

Feedback on our approach and your support across Google.

- Give an updated look at Display today, vis-a-vis privacy, antitrust, competition
- No decisions today, seeking understanding of difficult choices we need to make in the near future.

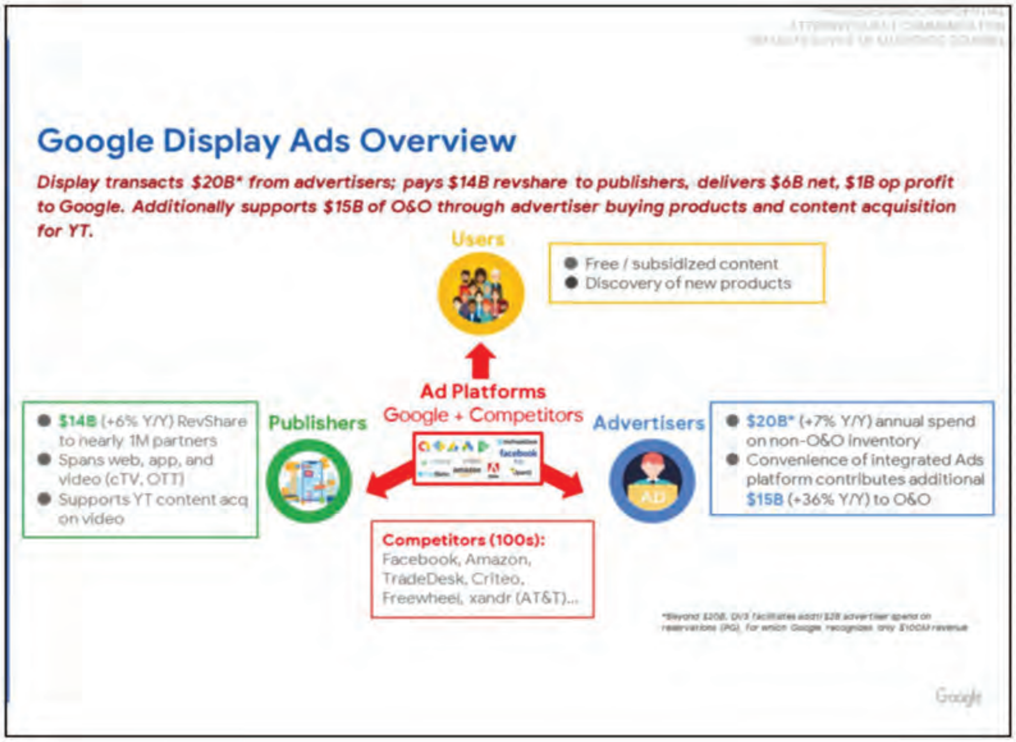
Key Messages

Notes:
Cross-Google partners
Ads PA: APaS, DV3, UX
PDPO
Chrome
Android
Play
YouTube
RMI
GBO: Pub + advertiser impacts
Marketing

Our Vision for the Future of Display

- *Free and open internet* for every user
- *A more privacy-safe Display*, upholding user trust in Google
- *Fair and transparent trade of value* between users, publishers, and advertisers

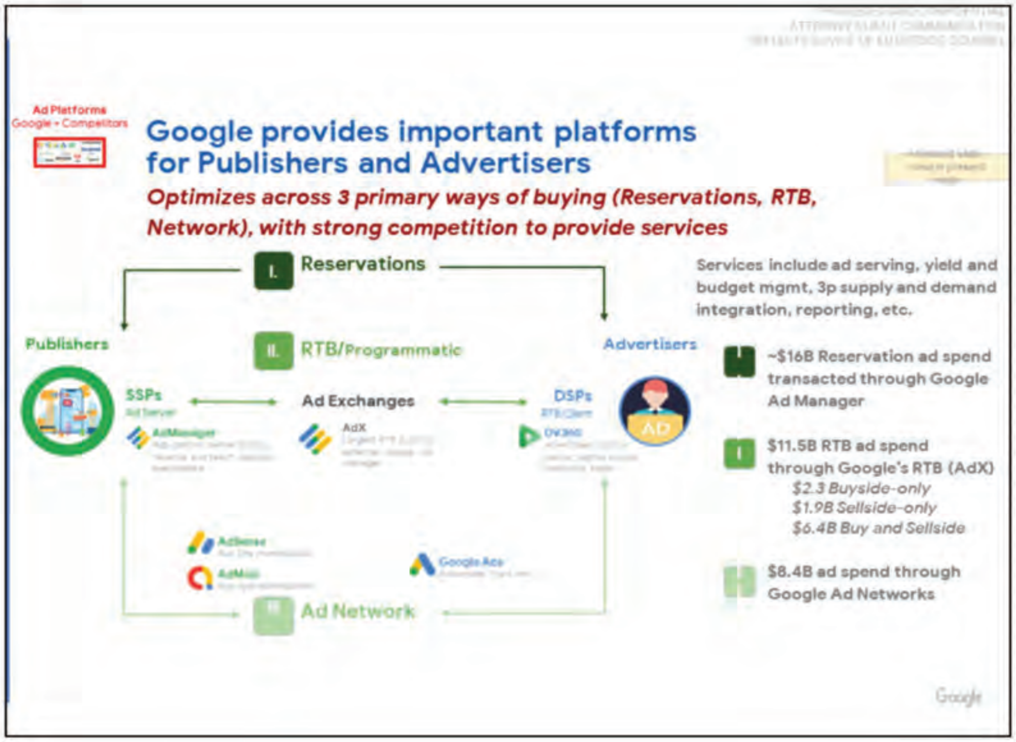
Google



Key Messages
Display is a virtuous cycle that is delivering substantial value to users, publishers, and advertisers. Publishers, Users, Advertisers, and Google rely on an ads-funded internet
It is also highly competitive (100s of ad platform competitors)
Google is a leader in Display, facilitates an efficient, competitive ecosystem between buyers (advertisers) and sellers (publishers)

Notes:
All 2020 Numbers are 2020 Plan. $20B Top-Line Revenue excludes PG (another $2B) as Gross Revenue
$20B Top-Line includes: All AdMob, AdX, 3PE, AdSense bought via GDA, App Promo, DV3
$6B Net Revenue is: 55% Web, 40% App, 5% Video (Instream Only)
Overall, Google pays publishers 70% revenue share (most products range from 68% - 95%). We believe this is higher than industry average (67%).

Links:
Financials Source: https://docs.google.com/spreadsheets/d/1TLzpALIURyl-Y6B45TEdRHVLxFjajdaA-_JSZHeWGwl/edit#gid=0



Key Messages
3 buying lanes and their $ size, tees-up competition point as well as our place in the ecosystem
Introduce key product modules (DBM and AdWords, AdX, GAM and AdMob and AdSense)
There are strong competitors for each module

Notes:
Total 2019 display size per industry metrics (go/industrymetrics) display + video global 2019 = $130B
Estimated RTB/Programmatic market size $X-YB based on observed Google RTB spend on Ad Manager and authorized buyers, estimated Ad Manager/Authorized Buyers SOW, non-YT GDA revenue, and RTB spend on DV360

Alternate way to think about platform and demand
Platform (direct) - AdManager and Admob for decision/mediation. Different set of competitors (e.g., Xander, Freewheel)
Demand (indirect)

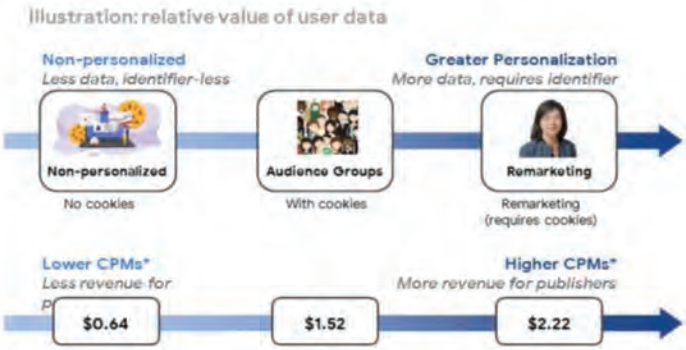
Descriptions of each area
DBM "the control center for advertisers, reach inventory everywhere"
AdX "largest RTB auction"
GAM "the control center for publishers, maximize revenue and reach demand

everywhere"
Admob
AdSense

Links:
"AdTech Explainer Slides" deck from Dan Taylor:
https://docs.google.com/presentation/d/1rv80Q9b5tVLnUglGaSGMrQSa6sTCPLvqs8SwjjvzzJU/edit#slide=id.g6318ef5d26_1_93

How data works in RTB

RTB auction drives incentive to personalize ads, leading to higher revenue, ROI, and CPMs



Google

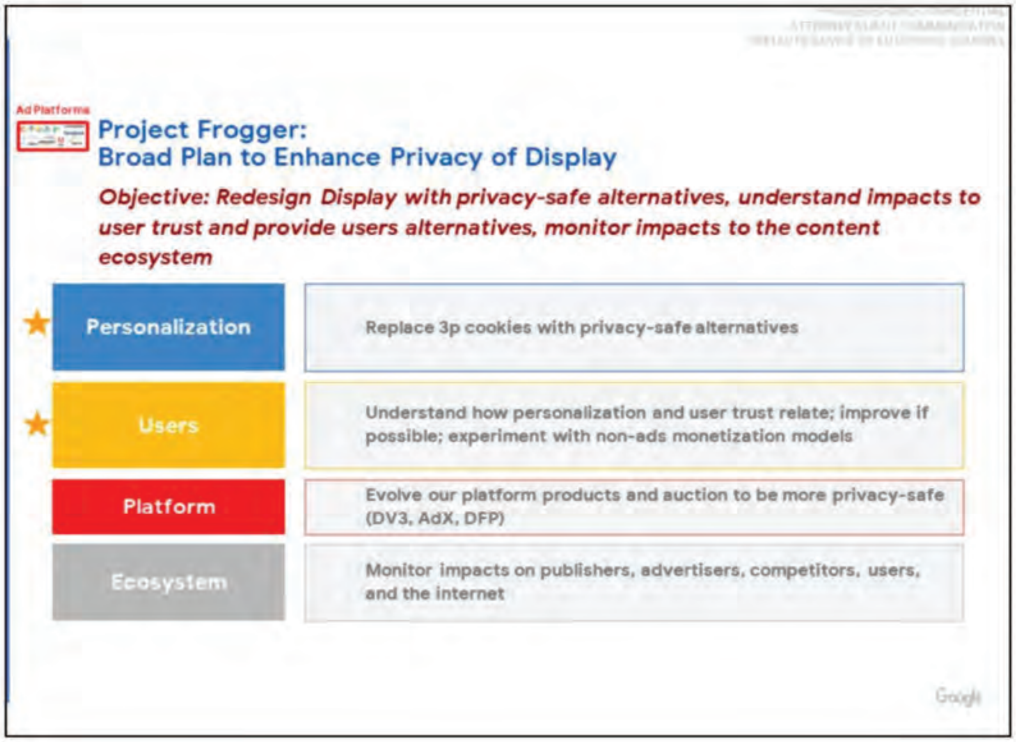
Key Messages
Display ads are query-less, knowing more about users (data) drives higher CPMs and relevance
The auction is key to maximizing value of unsold (unbranded) inventory for publishers, and pricing depends on data
Advertisers use data to drive ROI, reach audiences, measure impacts
Publishers push for access to data (to share with buyers to drive up prices and competition), e.g., Newscorp escalation

Notes:
Additional notes:
Applies across web and apps
Without queries
Most targeting is based on data from 3P cookies
Publishers incentivized to collect the most valuable data to win the highest bids
More about the data on the right side:
CPM data: GDA, US desktop Chrome. Source - drx_internal_stats - Jan 2020.
Comparing No Cookie vs. Cookie vs. Cookie w/ Remarketing targeting - open auction transactions for AdWords, US, Desktop Web Chrome inventory AdX Premium Publishers. Data in line with past studies
Note: data is current state, does not account for revenue replacement
Provenance of CPM values for NPA, Audience, Remarketing
Based on current state of today's world, no accounting for 2nd order effects,

potential mitigations etc.
CPMs are based on Jan 2020 data for Display Web inventory, to control for mixed effects we look at US, Desktop, Chrome traffic on our Premium AdX Publishers.
Since we need to compare different targeting types used in the transaction, we limit to AdWords since we aren't able to differentiate Audience vs. Retargeting targeting types for ads using 3p data to target users - this happens in both in Authorized Buyers and DBM.
Non-personalized: CPM for traffic with no google user identifier available
Audience Groups: CPM of traffic with a google user identifier available - this overlaps with remarketing bucket.
Remarketing: CPM of traffic bought based on a remarketing list
Losing personalization does not mean that $2.22, becomes $0.64. This is an illustration of today's world.
Note: The % of revenue add to more than 100% since Audience Groups overlaps with
Additional notes: Not just about driving highest pub CPM - also about reducing CPM variance with minimal impact on the mean. Without cookie info, inventory has a relatively tight band for CPM. With data, the range becomes much higher, and so does the mean. If ecosystem moves to more consistent approaches, the variation could reduce.

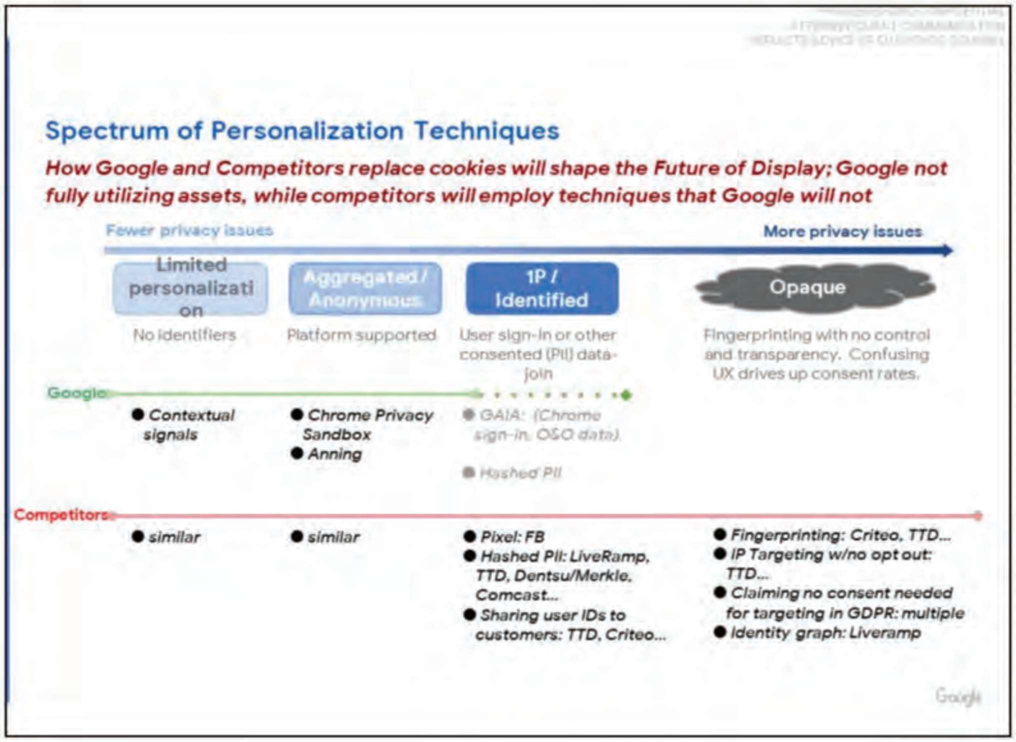
Further detail on incentive to apply data
User attributes and inferred intent more valuable than site/app contextual signals, e.g., products or categories in which user has shown interest (see progression)
RTB buyers match 3p cookies; inform bids based on their data silos
Bids informed by most valuable data prevails in auction - pubs mediate to highest bids, reflecting most valuable data
Competition for advertiser $ leads to pressure to apply more data, driving higher revenue to publishers
Highly valuable data includes what products or categories of products you have shown interest in in the past (e.g., remarketing example on right side)
Currently, the RTB auction (price maximization for publishers) happens based on matching 3p cookies between all of the buyers (allowing them to bring their own data silos into play for pricing and winning the ads)

Redacted - Privilege



Key Messages
Ads personalization is how advertisers drive relevancy and ROI through Google's Ads products. Replacements: Chrome Privacy-Preserving APIs, Signed-in with Google, NPA
The Ad Exchange is how publishers use us to maximize revenue by passing information to all buyers. Replacements: privacy-safe data passthrough and internalizing auction and buyer logic on the server-side
User trust and choice are foundational

Notes:
Personalization is the focus of some parts of this. Measurement is also important (but out-of-scope for this slide)



Key messages:
Ecosystem evolves to further patchwork complexity
Google will develop/further innovate multiple solutions to address different plots in the patchwork (with goal of mitigating revenue loss from migration away from 3p cookies, while protecting privacy)
Unless regulation and/or ecosystem is able to enforce a higher bar, competitors will employ a wider range of techniques, including opaque (e.g., fingerprinting) - and users may end up worse off

Notes:
Display ecosystem inventory reflects mix of user data offered by Pubs + Adtech platforms
Baseline: Limited and non-personalized ads (e.g., demo, contextual). LPA - ACM slides here
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Note: Opaque techniques are employed by some competitors today; enforcement challenge

Stakeholder impacts from data usage

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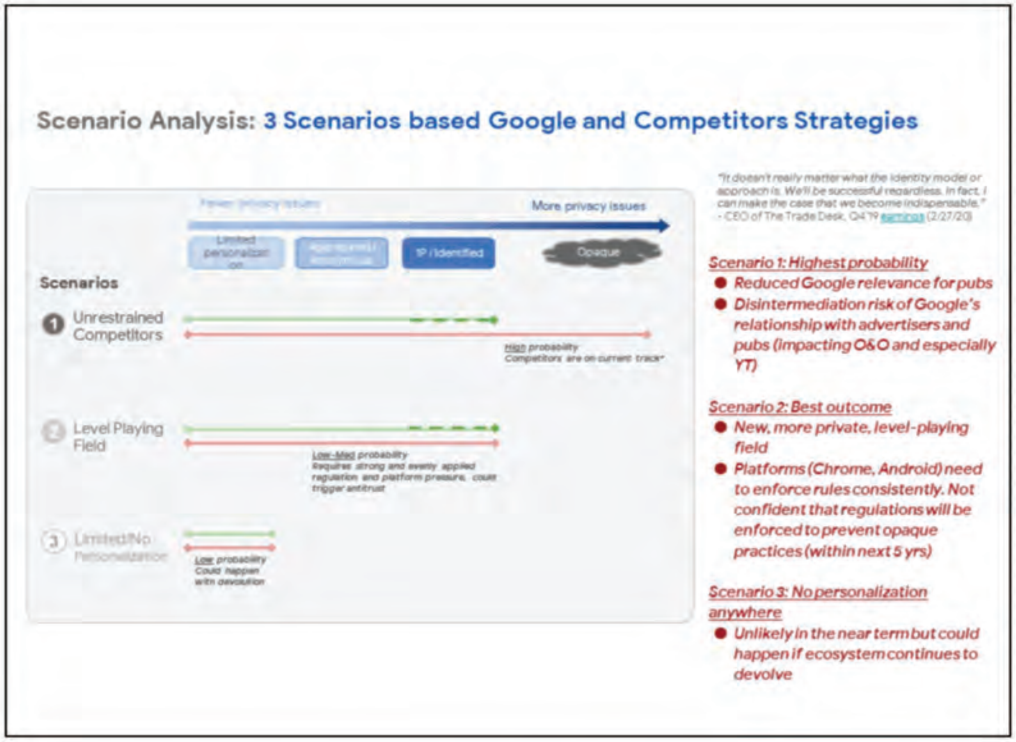
Pubs - user monetization, content viability

Success factors: ensuring ecosystem raises privacy bar, monitoring ecosystem outcomes, and supporting viable competitive dynamics



* We believe that we have lost $200 to The Trade Desk, with $500M in intermediate risk (Data Transfer Redaction projected to drive 5-14% loss in gross revenue - slides from Data Transfer Analysis for DV3 here). Analysis focused on DR redaction: direct loss in EMEA impacted markets and for ROW, negative halo of redact plans in ROW "tied to DT redaction (both direct loss in impacted markets in EMEA), but also the negative halo effect of our plans to redact in rest-of-world. This was tied to DV360's GDPR and CCPA compliance strategy that no others followed. "

Industry Quotes:
Jeff Green, CEO, The Trade Desk (in AdAge interview):
Q: Some people suggest Google will just get rid of targeted advertising.
"I don't believe they can even if they tried. There is not a company in the world that is more dependent on targeted advertising than Google. If Google did, the open internet and the millions of publishers who are dependent on targeting advertising to survive, including most of our journalists, will find a way around it. What's likely is they will land in a place that continues to enable targeted advertising while enabling consumer privacy."

Q4'19 earnings (here)
it doesn't really matter what the identity model or approach is. We'll be successful regardless. In fact, I can make the case that we become

indispensable

Jeff Green, CEO, The Trade Desk (in MediaPost)
TTD will do fine even if Google dumps cookies outright, noting that in the most recent quarters TTD's Safari-based ad buys have been growing faster than it's Chrome business, despite -- and possibly even because of -- the obliteration of third-party cookies.

Criteo - Earnings call (3/31/2020). CEO Megan Clarken
" Our graphs continues to grow to well over 2 billion users and now aggregates persistent identifiers like hashed emails or logins for over 96% of these users."

Today, highest probability is Scenario 1. This reduces Google's relevance for pubs and risks disintermediation of our relevance with advertisers and pubs (impacting O&O and especially YT)

But, we believe best outcome is Scenario 2, where Google and competitors are on new, more private, level playing field. To further this outcome, we believe that platforms (Chrome, Android) need to enforce rules consistently. We are not confident that regulations will be enforced to prevent opaque practices, at least within the next 5 years.

Redacted - Privilege

We believe the best outcome is Scenario 2 (where Google and competitors are on a new, more private, level playing field). However, today the highest probability is Scenario 3. For Scenario 2 to happen, we need:
Either privacy laws that are more equally enforced (unlikely) and/or platform enforcement (Chrome, Android, others) of privacy norms that treats all ads players equally (which may create antitrust risk).
Current Chrome path (Plan A) has a long arc and success probability is unclear.
Working with Chrome to define failure state outcomes, criteria, timelines
Ads working in parallel on defining a "Plan B" (derivative of browser ID)
Flexibility to use more of Google's assets and take some risks to remain competitive and relevant. Balance of antitrust, privacy, and competitive relevance risk.

Scenario Analysis: User, Publisher, Google Impacts

Scenarios	Users	Publishers	Google
1 Unrestrained Competitors	▼ Loss of consent, control, transparency	▲ Most positive rev, Slightly increased privacy risk	▼ Lowered relevance; Disintermediation, loss of ability to keep eco clean
2 Level Playing Field	▼ Consented, PII-based personalization	▼ Moderate revenue outcome, move towards PII and sign-in	▼ Less loss of relevance
3 Limited/No Personalization	▼ Loss of access to content	▼ Significant loss of revenue, reduced content on the open web	▼ Loss of open content for users and search

[redacted]

** Higher end of ranges in Scenario 1 & 2 reflect mitigations: Chrome sign-in footprint, O&O data in Nera, and Hashed PII*

Google

Key Messages
This analysis aims to understanding revenue and stakeholder impacts (publishers, advertisers, users, Google)
Google + competitor actions lead to different outcomes for stakeholders
Risk: competitors move to more opaque data use while Google moves to more conservative data use, dollars shift to competitors, and user privacy status quo will not improve
Success factors: ensuring ecosystem raises privacy bar, monitoring ecosystem outcomes, and supporting viable competitive dynamics

Notes about projections:
[redacted] from Hashed PII
[redacted] from Lumen (w/ incremental GKS lift)

Detailed Notes:
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Stakeholder impacts from data usage
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We all want Scenario 2 to happen, and need to rely on platforms (Chrome, Android) to enforce rules equally to make this happen.

Current State

- **Browsers against cookies** - Chrome POV: it should not be only browser supporting a unique ID
- **Current Chrome proposal has not gained ad industry acceptance** - ad platforms peddling PII and other solutions, bleeding away ads business
- **We need to respond to Apple WWDC announcement on apps, which took a different position than on web** - Apple will pass IDFA (pseudonymous ads identifier) to app if user opts in; we have ~6 wks for Android response to dev community

In next 6 wks, we need to choose among a difficult set of choices that impact Chrome, Android, Ads and user privacy

Consistency across Chrome and Android: *pseudonymous identifier, user transparency + controls, opt-in/out model TBD*

- **Potentially better outcome for user privacy, but puts Google between ad industry and regulators** - may forestall bad outcomes we foresee with the current Chrome path, and Ads may not need to employ alternatives (hashed PII, Google's O&O assets)
- **But, Chrome believes other browsers will not support** - FF and MSFT don't have app ecosystems

Inconsistency across Chrome and Android: *Chrome current plan + Android influenced by Apple approach*

- **Redacted - Privilege**
- **Inconsistency between platforms (web/app)** - may be manageable from a PR perspective

Elaboration on Success/Failure criteria: Potential criteria: ad-tech adoption, x-browser adoption, ability to restrict workarounds and timing, level of user privacy improvement, impact to user experience.

Users

Users and Trust in Google

Objective: ***Measure differential impact of if and how Google's personalized ads impact user trust - to what extent do they contribute to trust in Google?***

Ads Personalization Experiments

HOW

Experiment with differing treatments of ad personalization.

Survey different experiment populations to measure trust/sentiment in Google

EXPERIMENT TREATMENTS

- Personalization: OFF / ON
- Remarketing: OFF / ON, modulate frequency & recency, attenuate specificity
- *Considering 3rd (no ads from Google)*

KEY QUESTION

If we pull back on Google's personalization, is there replacement by competitor ads and if/so, do users notice or change in their trust in Google?

Survey questions

1) Which of the following statements do you agree with? (select all that apply)

- Google acts in my best interest [Benevolence]
- Google operates with sound principles [Integrity]
- Google is competent [Competence]
- Google respects my privacy [Privacy]
- My information is safe with Google [Security]

2) Which of the following statements do you agree with? (select all that apply)

- Google Search acts in my best interest [Benevolence]
- Google Search operates with sound principles [Integrity]
- Google Search is competent [Competence]
- Google Search respects my privacy [Privacy]
- My information is safe with Google Search [Security]

3) Lately, the ads I have seen on the web and mobile apps I use have been: (select all that apply)

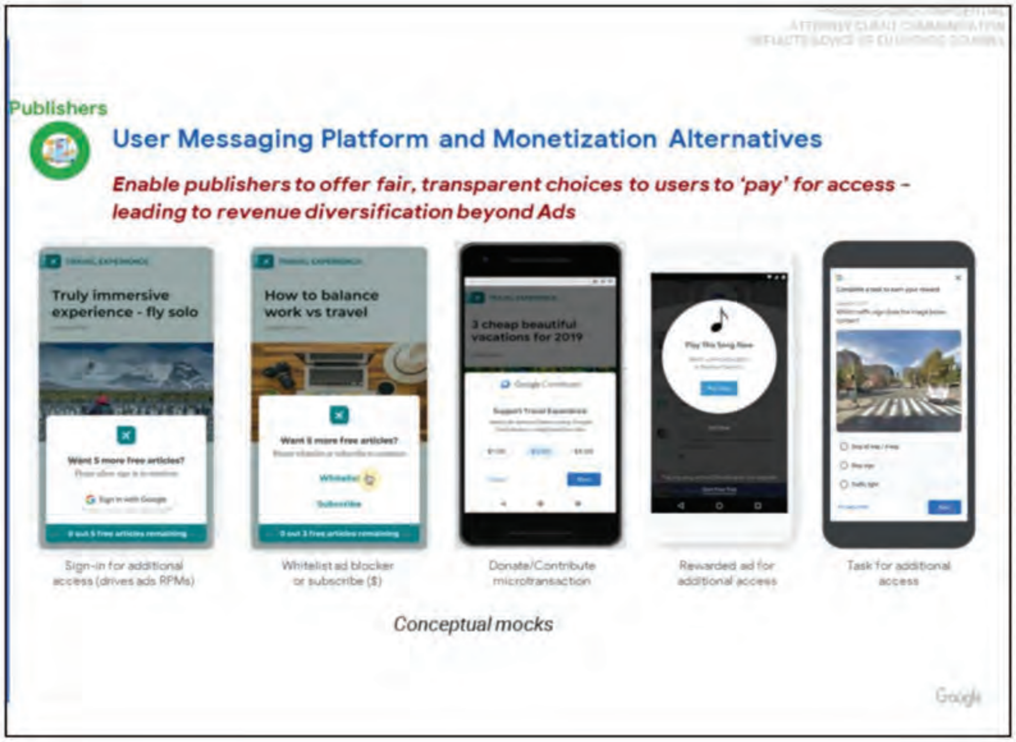
- Annoying
- Repetitive
- Useful
- Relevant

Google

Key Messages
2 treatments: no remarketing, no personalization (+ control). Considering 3rd (no ads from Google)
Will exclude those ad types for selected users, with follow-up surveys in these treatments to measure trust/sentiment in Google

Notes:
Launch TBC (~mid-May, results in August); after initial results, may cast additional treatments (e.g., remarketing frequency)
Note: 0.1% display revenue impact, potential fill rate issue for pubs

Links:
More on updated survey approach here: deck:
https://docs.google.com/presentation/d/1XJp7lVVdqdKkrjUI5iL-N1xib4AEPC4SVS7XYIM8iiU/edit#slide=id.g153db1e5d2_0_23
Doc writeup:
https://docs.google.com/document/d/1PLSjXB7Y2BYc_lw15DoYU1OtVNIOYjsloApd1dvfD2s/edit
Source of Trigger moments: slide.



Key Messages
Regulatory changes are threatening publisher monetization, so we're developing (privacy-safe) alternative methods for users to fund their access
Sign in drives publisher CPMs up
Ad blocker site whitelisting ensures ad revenue continues if the user wants to view the content
Subscribe provides simple, automated payment
We'll roll a donate/contribute option tied to publisher accounts, including at microtransaction levels (sub $1)
Alternatively, we're making available rewarded ads and tasks for web and app to deliver ad revenue in exchange for additional access to content
Tasks are particularly interesting because of the internal strategic value to Google (ML labeling) as well as the new source of non-ad revenue to our network.

Notes:
The prompts seen on the first two would similarly offer options for contributions, rewarded ads, personalized ads, non-personalized, etc, and the 3 screens on the right show the follow-on screens
We're also rolling out PPID (publisher-provided ID) to enable frequency capping and raise CPMs, yet not be involved in any personalization.

Next Steps

- Need decision in the next 6 week+ timeframe - bounded by need to respond with Android's position to developer community
- Teams to work on more comprehensive evaluation of pros/cons and tradeoffs

Google

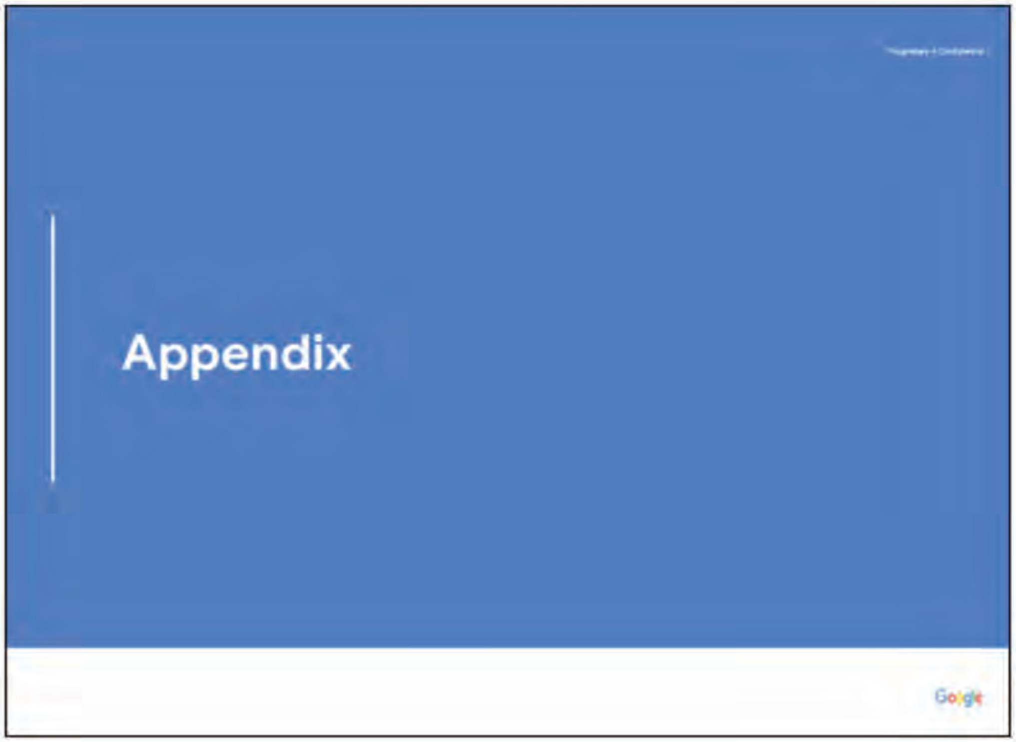
Key Messages
Future of Display advances user privacy while sustaining the tension of a competitive ecosystem; finding the right balance is critical, but complex
Optimizing too heavily in any dimension could be highly detrimental to user's open access to content or publisher health or ecosystem sustainability or Google revenue
Our desired end-state is to have a concise, coherent user narrative that raises the bar for privacy and stabilizes user trust/sentiment with Google (in a measurable way), preserves publisher/app developer monetization, supports advertiser objectives - and saves X% of Google revenue (we will develop multiple options that allows us to compare/contrast potential solutions and make decisions based on tradeoffs)
Another way of saying this:
Enhance user privacy within Google's Display products
Work with policy, legal, Chrome, Android, and APAS to promote competition
Innovate on new models for publishers and users to trade value (e.g. rewarded ads, subscriptions, microtransactions, tasks)

Notes:
Objectives / Vision for next 2 years
Raise the bar for privacy on the internet (address user, KOF, regulatory) and preserve ecosystem integrity

Understand more quantitatively the relationship between user trust/sentiment with Google and Display, and tune appropriately
Understand revenue impacts for the ecosystem
Preserve publisher monetization (key funding mechanism for open web)
Support advertiser objectives
Save X% of Google revenue
Support competitively dynamic ecosystem - charge fairly for Google's services

We do this through Project Frogger, an umbrella effort focused on delivering privacy safe techniques (multiple bets, including non-personalized ads), and monitoring impact to user (trust/sentiment), pubs/internet and advertisers/platforms (share more details). Working with APAS, AIM, DBM, Chrome, etc.

Immediate Next Steps
Continue building on technical solutions - including non-personalized ads and 5+ technical areas
Deepen evaluation of impacts to publishers and advertisers, including competitive dynamics
Instrument user research, begin studies, estimate holdback expense, etc.


Appendix

Key Messages
Key publishing partners and why a strong sellside facilitates relationships with Google
Provide platform for ads monetization (AdManager, AdMob), monetize users via Google demand (Google Ads; DV3), enable distribution (YT, PLay, Stadia, etc.), and x-Google partnership

Notes:
Example pubs relationships
Large Video Broadcaster
Manages digital inventory through GAM, selling to their advertisers + Google demand
Distributes content on YT
Facilitates broader rel'p that may include Cloud, Stadia, etc.
News Publisher
Drives indirect demand through GAM (also drives direct demand)
Finds new subscribers through Google Ads
Website Publisher
Monetizes thru AdSense; funds content publishing
Drives site visitors thru Google Search
App: Gaming or Social/Comms
Monetizes apps through AdMob; primary source of demand is indirect
Finds new users and optimizes LTV thru Google Ads (YT, Play, Search)

Stadia partnership (GCP for Snap?)

Links:
Google News Initiative - https://sites.google.com/corp/google.com/q1-news/google-news-initiative

Drivers/Source of Revenue Estimates (exact numbers reference below are pulled from Scenario #2 when applicable):

2022 Momentum Forecast: RevTeam official pre-COVID forecast

Loss of Consent: Narnia 3 opt-out, scaled globally; [redacted] in NPA-only to all users and [redacted] new/sign-out scenarios

Impact of 3P Cookie Loss: Applies to measurement and personalization in scenarios #1 & 2, but ONLY to measurement in scenario #3 because the impact of consent has already had the majority of impact

Loss of Publisher Content: We lose [redacted] monetization from long-tail publishers that can't make content anymore and [redacted] from head publishers who move to subscription models

Reduced 3P Exchange Access: [redacted] loss of 3PE DV3 from weak-AdX domains and [redacted] of DV3 line items concentrated in 3PE targeting

RMKT & Audience Budgets Move to Other DSPs: Loss of [RMKT/Audience] budgets from advertisers w/ [redacted] of budgets spend on [RMKT/Audience]

Agg & Anon Mitigation: Samoas ([redacted]) + Chrome PPAPI ([redacted]) + GKS ([redacted]; Note: EXCLUDES all Nera even w/o Chrome

Nera w/ Chrome & Hashed PII: Assumes best-case Nera ([redacted]) + Hashed PII ([redacted])

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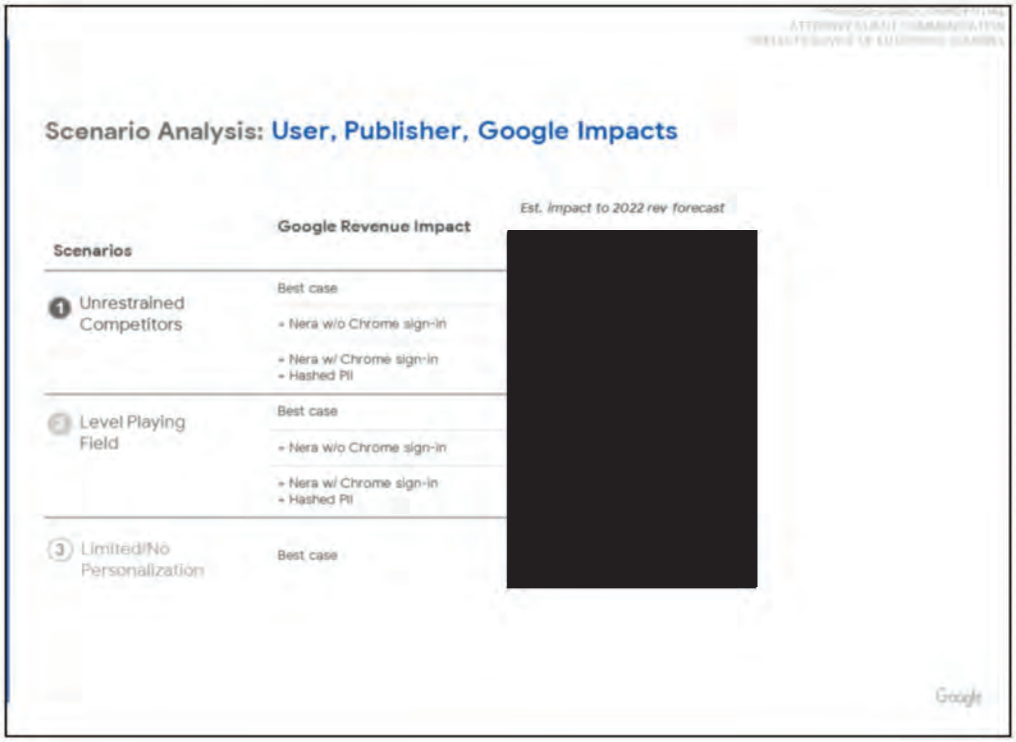

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Prepared by Legal team

Move to appendix

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Google contribution to Publisher Ad Revenue

Ad Manager: Google contributes ~17.5% of Top News publisher digital ad revenue

- Illustrative of considerable value Google products deliver to news publishers Publisher
- Publisher sourced revenue is estimated from publisher declared revenue.
- Ad Manager is 52% of Google Publisher Display/Video Revenue

Admob / AdSense (not pictured): larger contribution from Google for ad revenue, due to lack of Reservation & Deals.

- Google may be anywhere from 25%-100% of revenue for any given AdMob or AdSense publisher
- AdMob/AdSense are 48% of Google Publisher Display/Video Revenue

References: Ad Manager New Publishers Data, Ad Manager Reservation Revenue Estimation - figures adjusted to show net publisher revenue.

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Ads Privacy Trigger Moments - Newton

5 negative ad triggers:

1) **Touchy Topics**
   ads tied to embarrassing searches or clicks
1) **Hyper-specific Details**
   ads that include detailed data about the viewer
1) **Off-Limits Data**
   ads perceived to be based off of private conversations
1) **Poorly Timed**
   ads that show up too soon or too late
1) **Cross-service Sharing**
   ads with info given to another company or source

Framework for better ads:

Key Message:
We want to improve the everyday experience people have with ads. Working closely with the Newton team.
We know privacy concerns are very personal and contextual, but through our research we've identified some patterns we can use to improve the experience. Over a 10 day diary study participants in the US and Europe captured ~1,300 ads privacy "trigger moments," or moments where the use of their data for ads personalization caught their attention in a positive or negative way. Despite contextual differences, there were 5 key ad moments that participants found to be negative triggers. We've used these themes to build a framework for ad moments that users are more comfortable with.
Touchy topics: an example from our research is an ad for a plus-sized clothing brand. This was something the participant had searched for, but she didn't feel comfortable seeing ads on this topic as it felt too personal.
Hyper-specific details: People were sometimes unsettled by seeing ads for the exact items they had been looking for previously. This ties back to the insight that ads act as a reminder of pervasive tracking.
Off-limits data: Ads perceived to be targeted based on information people assumed was "private," including conversations, email, and chat apps.
Poorly timed: People felt uncomfortable when they searched for something and saw an ad on that topic a day or even an hour later, but also felt uncomfortable when they felt an ad was being personalized based on data that had been collected months or years ago, as it felt like a reminder that their data was being hoarded and saved indefinitely.

Cross-service sharing: This is particularly relevant for Google, because many people assume ads on other networks have been personalized using their Google search history. A participant in our study had been searching for travel information online, and then saw a personalized ad on Instagram on this topic. This was unsettling for her because she assumed her search history had been shared with Facebook/Instagram.
For the UX research: treatments address key negative trigger moments

Source:
Ads Privacy Trigger Moments (March 2019)

We all want Scenario 2 to happen, and need to rely on platforms (Chror Android) to enforce rules equally to make this happen.

See next slide for simple slide

In the next month, we have an opportunity to assess our approach and choose amongst a di choices impacting Chrome, Android, Ads, and user privacy, as a response to Apple's new pc apps.

Current State

- Browsers' position is to remove cookies. Chrome's perspective is not having x-browser alignment risks browser position.
- Current Chrome proposal has not gained ad industry acceptance. Most actively peddling PII and other solutions, luring away ads business.
- This week @ WWDC, Apple introduced a different position for apps, i.e. that IDFA (app device identifier for advertising) will be allowed, with user opt in. We think we have ~1 month to have a response for Android and the developer community.

Choice in the next month revolves around platform position, user privacy, ads relevance, and Google risk outcomes

If we choose to be consistent across Chrome and Android by offering a single pseudonymous identifier and set of user transparency + controls:

- Chrome believes this will be indefensible with other browsers (Firefox and Microsoft don't have an app ecosystem and will not support)
- May gain better ad industry acceptance, forestalling some of the bad outcomes we foresee with the current Chrome path → better for user privacy
- May not require Ads to employ alternatives (hashed PII, Google's O&O assets to compete)

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- Inconsistency between platforms may be manageable from a PR perspective

Elaboration on Success/Failure criteria: Potential criteria: ad-tech adoption, x-browser adoption, ability to restrict workarounds and timing, level of user privacy improvement, impact to user experience.

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